



Reform Pension Board Hardship Withdrawal Requirement Rules

According to IRS regulations, a participant may request a hardship withdrawal if he or she has an “immediate and heavy” financial need. The hardship withdrawal is limited to the amount necessary to satisfy that financial need.

The Reform Pension Board determines the existence of an immediate and heavy financial need based on the IRS’s “safe harbor” rules, the terms of the Plan and all relevant facts and circumstances. Consumer purchases (such as a boat or television) are generally not considered an immediate and heavy financial need. A financial need may be immediate and heavy even if it was reasonably foreseeable or voluntarily incurred by the participant making the request.

Under a “safe harbor” in IRS regulations, a participant is automatically considered to have an immediate and heavy financial need if the distribution is for:

- Medical care expenses for the participant, the participant’s spouse, dependents or beneficiary;
- Costs directly related to the purchase of a participant’s principal residence (excluding mortgage payments);
- Tuition, related educational fees and room and board expenses for the next twelve months of postsecondary education for the participant or the participant’s spouse, children, dependents or beneficiary;
- Payments necessary to prevent the eviction of the participant from the participant’s principal residence or foreclosure on the mortgage on that residence;
- Funeral expenses for the participant, the participant’s spouse, children, dependents, or beneficiary; or
- Certain expenses to repair damage to the participant’s principal residence.

The amount of the hardship withdrawal is limited to the amount necessary to satisfy the need. This rule is satisfied if:

- The distribution is limited to the amount needed to cover the immediate and heavy financial need, and
- The participant could not reasonably obtain the funds from another source;
- The withdrawal does not exceed 75% of the participant’s RPB account balance.

The RPB will rely on the participant’s written statement that the need cannot be relieved from other available resources, including:

- Insurance or other reimbursement;
- Liquidation of the participant’s assets;
- The participant’s pay, by discontinuing elective salary deferrals and after-tax participant contributions; or
- Plan loans (from a Plan other than the RPB) or reasonable commercial loans.



Alternative resources do not have to be used if doing so would increase the amount of the need. For example, a participant requesting funds to purchase a principal residence does not need to obtain a Plan loan (from a Plan other than the RPB) if the loan would disqualify the participant from obtaining other necessary financing.

Under another IRS “safe harbor” regulation, a distribution is automatically considered to be necessary to satisfy an immediate and heavy financial need if all of the following requirements are met:

- The distribution is not greater than the amount of the immediate and heavy financial need, including the amounts necessary to pay any taxes resulting from the distribution;
- The participant has obtained all other distributions and loans available under all available Plans; and
- The participant is not allowed to make elective salary deferrals to the Plan for at least six months after the hardship distribution.

Tax Treatment of Hardship Distributions

Hardship withdrawals are subject to income taxes and a 10% additional tax on early distributions.

Repayment Not Permitted for Hardship Distributions

Participants who take a hardship distribution cannot repay it to the Plan per IRS rules.

Documentation of Hardship

Please enclose the RPB Hardship Withdrawal Request Form and include any additional details necessary to validate your request. Please attach additional sheets of paper if necessary, and include your name and RPB ID # on all additional attachments. (Please contact the RPB office to obtain your RPB ID # if you do not have it.) If you do not provide a sufficient explanation, your request may be returned to you for additional details and/or supporting documentation.

If you have any questions, please contact the RPB office at 212-681-1818, or at PensionBoard@rpb.org.